Department of Energy

Bonneville Power Administration
Seattle Customer Service Center
909 First Avenue, Suite 380
Seattle, Washington 98104-3636

POWER SERVICES

October 8, 2008

Attachment 1

In reply refer to: PSW/Seattle

Jorge Carrasco, Superintendent
Seattle City Light
P.O. Box 34023
700 – 5th Avenue, Suite 3300
Seattle, WA 98124-4023

Dear Jorge:

On April 17, 2007, the Washington State Legislature passed a law (ESSB 6001/RCW 80.80) establishing a greenhouse gas emission performance standard for retail electric utilities. It is the Bonneville Power Administration's (BPA) understanding that this law forbids such utilities from entering into long-term (5 years or more) contracts for baseload power from power plants with emissions that exceed the average greenhouse gas emissions of a natural-gas-fired combustion turbine generator (1,100 lb./MWh). Long-term contracts for power of mixed origins (i.e., hydro, nuclear and unspecified power) are assigned a "system mix" emissions factor that cannot exceed the emission performance standard.

The governing boards of Public Utilities are responsible for making a determination that any generation supplied under a long-term commitment for baseload electric generation meets this emissions performance standard in any and all years of the contract. BPA's Regional Dialogue Contracts, being long-term financial commitments for generation of specified (hydro, nuclear and renewables) and unspecified (e.g., power acquired to supply customer load beyond the amount of power supplied by the existing Federal Base System (FBS)) origins, may be subject to this emission performance standard. Because BPA supplies federal power to many customers that are subject to ESSB 6001/RCW 80.80, BPA is providing information herein about the generation resources that the agency intends to use to meet its expected Regional Dialogue Contract load obligation. This information should enable customers to complete an analysis (based on their own projections of load growth and generation acquisitions) of the life-of-contract emissions.

For the purposes of this emissions estimate, it must be understood that BPA markets power generated primarily by a system of federally owned hydroelectric resources and one non-federal nuclear power plant (the existing Federal Base System, or FBS). These resources are referred as Tier 1 rate resources for purposes of BPA's tiered rates methodology. The decision to purchase power from BPA at Tier 2 rates, to serve load beyond what Tier 1 rate resources can serve, is up to the customer, not BPA. Thus, potential emissions from power supplied by BPA to customers to serve "above high water mark" loads are not calculated herein.

For the benefit of BPA's customers that expect to hold Regional Dialogue Contracts with BPA and that are subject to the Washington State requirements, BPA is providing the following report on the resources we expect to use in meeting Tier 1 commitments in Regional Dialogue Contracts:

BPA has calculated dedicated generation supply based on an estimate of the FBS and other resources available in a critical water year. This supply will be sold to Public Utilities under the Regional Dialogue Contract as power generated primarily by BPA's existing FBS or "Tier 1" rate resources. BPA estimates that its total "Tier 1" rate related sales will be 7,299 aMW for the life of the contract. The generation that BPA expects to use to meet its Tier 1 rate related obligations under the Regional Dialogue Contract is detailed in the chart below. This chart includes generation from FBS hydro power plants, nuclear generation (Columbia Generating Station-CGS), cogeneration (from the James River Wauna Cogeneration facility – a high-efficiency facility, exempt from Oregon Energy Facility Siting Council site certificate requirement, that uses approximately 99% biomass as a fuel), and wind resources (purchased under contract from the Klondike, Foote Creek, Condon and Stateline wind facilities). The supply of these resources varies slightly in even and odd years, as the CGS Nuclear facility undergoes refueling in odd years – a process which reduces expected generation from that facility. Also, BPA intends to distribute the RECs associated with the wind power to its customers (including "Environmental Preferred Power" customers).

Expected Tier 1 Rate System Resources 2012-2028*

	Even Years (2012-2028)			**Odd Years (2013-2027)**		
Resource	Supply (aMW)	%	Emissions Rate lbs/MWh	Supply (aMW)	%	Emissions Rate lbs/MWh
Hydro (FBS)	6500	89.05	0	6605	90.48	0
Nuclear (Columbia Generating Station)	736	10.08	0	631	8.65	0
Cogeneration (Wauna - 99% biomass)	16	0.22	0	16	0.22	0
Wind (with RECs)	47	0.65	0	47	.65	0
Unspecified	0	0%	2,600**	0	0%	2,600**
Total	**7299**	**100%**		**7299**	**100%**	

* Based on LARIS Study 54, 1958 Water Year

** Emission Rate based on ESSB 6001 /RCW 80.80 requirements for unspecified resources – these are not actual expected emissions associated with unspecified resources.

It is important to note that BPA buys and sells power throughout the year to meet short term generation deficits and surpluses. These purchases do not alter the agency's stack of long term or baseload resources used to meet its obligations. However, *if* one assumes that the purchased power becomes part of BPA's unspecified resource supply and clean attributes associated with the power sold leaves BPA's system, then BPA's resource mix calculations would shift from the above. BPA's system mix reports, submitted on a voluntary basis to the state of Washington each year, demonstrate that these balancing purchases lead BPA's system mix to include an average of 7% "unspecified" resources (net of "unspecified" wind resources). The chart below adjusts the first set of figures to incorporate these expected balancing purchases in BPA's Tier 1 rate related system resources. The 2,600 lb/MWh emission rate assigned to "unspecified" resources does not reflect BPA's estimate of actual emissions associated with those resources – rather it is the emission rate that ESSB 6001/RCW 80.80 ascribes to unspecified purchases. Actual emissions associated with these unspecified resources would be significantly lower.

Expected Tier 1 Rate System Resources, 2012-2028*
With Adjustments to Reflect 7% Unspecified Balancing Purchases from Market

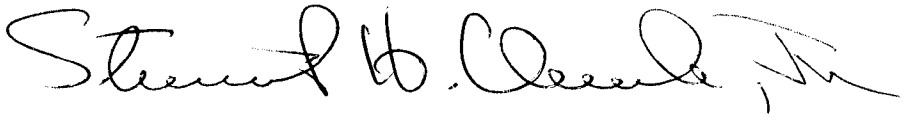
	Even Years (2012-2028)			Odd Years (2013-2027)		
Resource	Supply (aMW)	%	Emissions Rate lbs/MWh	Supply (aMW)	%	Emissions Rate lbs/MWh
Hydro (FBS)	5989	82.05	0	6094	83.48	0
Nuclear (Columbia Generating Station)	736	10.08	0	631	8.65	0
Cogeneration (Wauna - 99% biomass)	16	.22	0	16	.22	0
Wind (with RECs)	47	.65	0	47	.65	0
Unspecified	511	7.00	2,600**	511	7.00	2,600**
Total	**7299**	**100%**		**7299**	**100%**	

* Based on LARIS Study 54, 1958 Water Year

** Emission Rate based on ESSB 6001 /RCW 80.80 requirements for unspecified resources – these are not actual expected emissions associated with unspecified resources.

Please feel free to contact me at (206) 220-6760 with any questions about these figures.

Sincerely,



Stuart H. Clarke, Jr.
Senior Account Executive

cc: Raymond Camacho, Power Management Executive
Steve Kern, Power Supply & Environmental Affairs Officer
Cindy Wright, Strategic Advisor